

Fowler Appraisal

November 9, 2004

Michael Patrick
The Trust for Public Land
418 Montezuma Avenue
Santa Fe, NM 87501

Subject: Appraisal Review – Coal Mine Spring at Salero Ranch, Santa Cruz County,
Arizona

Dear Mr. Patrick:

As you requested, I have reviewed the appraisal report of land located in Santa Cruz County, Arizona. The appraisal report is a complete appraisal in a self-contained format, and concludes to the following market value opinion with an effective date of value of January 15, 2004:

\$3,680,000

This is a technical review that conforms to Standard 3 of the Uniform Standards of Professional Appraisal Practice (USPAP). I did not inspect the subject parcels or the comparable sales for this review, although I have inspected some of the sale properties analyzed in conjunction with other appraisal assignments. I have not confirmed any of the factual data in the appraisal.

No deficiencies were found which were significant enough to materially impact the value conclusion.

Six copies of the Appraisal Review Report are enclosed as requested.



Lynn Fowler, MAI
Arizona Certified General Real Estate Appraiser #30141

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REPORT UNDER REVIEW

Appraisal Client	The Trust for Public Land
Intended Users	The Trust for Public Land, the Arizona Game and Fish Commission, and the U.S. Fish and Wildlife Service
Purpose and Intended Use	The purpose of the appraisal is to estimate the market value of the subject property. The intended use is to assist the Trust for Public Land in negotiating and entering into a transaction to acquire and dispose of the property.
Appraisers	Mark Wirth, MAI and Michael Turner, MAI. Note that Zach Sinay is an independent contractor who was listed as having provided significant professional assistance to the appraisers signing the appraisal.
Effective Date of Value	January 15, 2004
Appraiser's Value Opinion	\$3,680,000
Date of Appraisal Report	March 2, 2004
Property Descriptions	The subject property consists of 2,628.5 acres located in Santa Cruz County, in southeastern Arizona. A lengthy legal description is in the appraisal.
Property Interests Appraised	Fee interest in the surface estate. The subsurface estate was reserved in the patent.
Current Use	Grazing
Highest and Best Uses	Division into forty acre lots to be offered for sale.

PURPOSE AND SCOPE OF REVIEW

Date of Review	November 9, 2004
Purpose of the Appraisal Review	To verify that the appraisal under review is adequately supported and in compliance with the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) promulgated by the Interagency Land Acquisition Conference 2000, and the 2004 Uniform Standards of Professional Appraisal Practice (USPAP)
Intended Use of the Review	Quality assurance purposes
Intended Users of the Review	The Trust for Public Land, the Arizona Game and Fish Commission, the U.S. Fish and Wildlife Service
Reviewer's Client	The Trust for Public Land
Scope of Review Work	<p>This is a technical review that conforms to Standard 3 of the Uniform Standards of Professional Appraisal Practice, 2004, (USPAP). I did not inspect the subject property or the comparable sales for this review. I have not confirmed any of the factual data in the appraisal, although I am familiar with the market and certain of the comparable sales in conjunction with other appraisal assignments.</p> <p>The review included reading the appraisal report, checking for consistencies, and checking all mathematical calculations. I have spoken with and corresponded with Mark Wirth, MAI, and his assistant, Zach Sinay. Independent research was not done.</p> <p>The analysis, opinions, and conclusions presented in this appraisal review are based solely on the data, analysis, and conclusions contained in the appraisal report. It is assumed the appraiser exercised due diligence in researching and presenting all pertinent data affecting the market value of the property.</p>

SIGNIFICANT FACTORS CONSIDERED

The appraisal is of a property that is within the 20,000 Salero Ranch Plan, a 40 acre subdivision. The subject property was not platted because the owner/developer was asked to conserve this portion of the Salero Ranch, however, the highest and best use would be to develop the property into forty acre low density residential lots.

The 2,628.5 acre subject property is appraised as the larger parcel, as it is a separate economic unit.

While there is limited development in the area, there has been adequate market activity in the area for this property type that supporting data for the land values is available.

REVIEWER'S CONCLUSIONS

Is the appraisal report complete and appropriate for the assignment? **Yes**

The appraisal is a complete appraisal, and no departures from USPAP were made. It is in a self-contained format based on the USPAP definition, and adequate information and support is included to permit the reviewer to understand the appraisal. As described in the Scope of Work, the appraiser interviewed market participants and local and state government employees for market information and specific property information. The comparable sales transactions were verified and personally inspected. The appraisers considered all acceptable appraisal methods and approaches to value. The scope of work is appropriate for the assignment.

The appraiser did not include an estimate of exposure time. Although USPAP requires an estimate of exposure time, the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) specifically states that the market value estimate not be tied to marketing time. The appraisers appropriately invoked a jurisdictional exception to USPAP.

Is the information relied on adequate and relevant to the assignment? **Yes**

In the Sales Comparison Approach, the appraiser analyzed four comparable sales. All were within the competitive market area of the subject property, and were fairly current, having occurred in December 1999, March 2003, and in February 2004. The sales bracketed the size of the subject property. Two of the comparable sales were located in Cochise County near Benson and Elfrida, and are physically dissimilar compared with the subject property, but the other two sales had similar locations, adjacent to the subject property and in nearby Patagonia, Arizona. These nearby sales were given the greatest weight. The information relied on was adequate and relevant to the appraisal assignment.

The appraisers also prepared an Income Approach, using a discounted cash flow analysis. This approach was included to provide support for the Sales Comparison Approach. The property has not been platted, and income and expenses were estimated

from the adjacent development and another project near St. Johns, Arizona that had been developed by First United, the owner of the property. The information relied on was adequate and relevant to the appraisal assignment.

Is the highest and best use supported?

Yes

The highest and best use conclusion was for development and sale as forty acre residential lots. The appraisers examined the legally permissible uses under the existing zoning. The physically possible uses are limited to a degree by the steep terrain on portions of the subject property, however, this is offset by the physical appeal necessary for subdivision development. The legal, physically possible, and feasible uses include continued grazing and residential development. The maximally productive use is development into low density residential lots, consistent with the neighboring Salero Ranch development. The absorption of the lots in prior phases of development provide the strongest support for lot development on the subject property. The highest and best use conclusion was thoroughly supported in the appraisal.

Are the adjustments reasonably supported?

Yes

In the Sales Comparison Approach, the appraisers considered adjustments to the comparable sales for property rights conveyed, financing, conditions of sale, market conditions, location, and zoning. Physical characteristics that were considered were size, shape, topography and drainage, and utilities. improvements, and physical features.

There was a moderate level of support from direct market comparisons for the adjustments. The appraisers largely relied on discussions with brokers and market participants for most of the adjustments. The market conditions adjustment was estimated to be between 2% and 5% per year, based on interviews with brokers. The appraisers also compared Sale 4 in 1999 with Sale 1 in 2004, which showed a compounded annual increase of approximately 7%. Sale 1 is superior to Sale 4, indicating that the actual market conditions adjustment is lower than the 7% shown in the comparison. The market increase is more pronounced in recent years, and the appraisers concluded at 3% annually. This adjustment is reasonable, and was applied to the oldest sales in 2003 and 1999.

A downward adjustment for location was applied to Sale 1 near the town of Patagonia, and upward adjustments were applied to Sales 2 and 3, which are in Cochise County. These adjustments were the most significant in the analysis and were supported by discussions with brokers. While there is minimal direct market evidence to support the percentage adjustments, the direction is appropriate, and the amount of the adjustments was not unreasonable.

Two of the sales were given an adjustment for size: Sale 3, which was 1,152 acres was adjusted downward by 5%, and Sale 4, which was 5,000 acres, was adjusted upward by 5%. There is no analysis of the effect of size on value, however, the appraisers reported that conversations with local area brokers led to these adjustments. An upward adjustment for shape was made to Sale 2, as it consisted of non-contiguous tracts.

The adjustments are all quantitative, and are applied sequentially, based on percentage amounts.

The analysis was adequate and the adjustments were supported in the narrative discussion, although not by a thorough market analysis. While it would be preferable to have had the adjustment amounts demonstrated by matched pair or other analysis, the adjustments made were reasonable.

Are the appraisal techniques and methods used appropriate?

Yes

The Sales Comparison and Income Approaches were used. The appraisers considered all three approaches, and provided support for excluding the Cost Approach (the subject property is not improved). The appraisers stated that the sales analyzed were field inspected.

Since the highest and best use of the subject property is for low density residential lot development, the inclusion of an Income Approach is appropriate, although the indication from this approach was not weighted in the final value conclusion.

Are the analyses, opinions and conclusions of value appropriate and reasonable?

Yes

In the analysis, each comparable sale and adjustment is explained in relation to the subject property's features, and there is adequate reasoning and discussion that leads to the range of indicated values for the subject property. The market value conclusion is supported. The analyses, opinions and conclusion of value are appropriate and reasonable.

Does the report contain any significant deficiencies, that if remedied, would materially impact the value conclusion? If so, please explain.

No

There are no significant deficiencies that if remedied would materially affect or change the value conclusion in the appraisal.

REVIEWER'S ASSUMPTIONS AND LIMITING CONDITIONS

1. This Appraisal Review Report is based on information and data contained in the Appraisal Report which is the subject of the review.
2. It is assumed that the data and information is factual and accurate.
3. The reviewer reserves the right to consider any new or additional data or information which may subsequently become available to revise opinions and conclusions if such data and information indicates the need for change.
4. Unless otherwise stated, all assumptions and limiting conditions contained in the Appraisal Report, which is the subject of this Appraisal Review, are also conditions of this review report, including any extraordinary assumptions.

REVIEWER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

- the statements of fact and the data reported by the reviewer and used in the review process are true and correct.
- the analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation received for the review is not contingent on the analyses, opinions, or conclusions reached or reported, or on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
- the appraisal review was made and the review report prepared in conformity with the Uniform Appraisal Standards for Federal Land Acquisitions.
- my analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice except to the extent that the Uniform Appraisal Standards for Federal Land Acquisitions required invocation of USPAP's Jurisdictional Exception Rule, as described in Section D-1338 of the Uniform Appraisal Standards for Federal Land Acquisitions.
- I have not made a personal inspection of the property that was the subject of the appraisal report reviewed. I have not made a personal inspection of the market comparables cited in the appraisal report under review, other than in conjunction with other appraisal assignments. I have not verified the factual data presented in the appraisal report reviewed.
- no one provided significant professional assistance to the review appraiser.
- this review has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of the Appraisal Institute and the American Society of Farm Managers and Rural Appraisers.
- As of the date of this report, Lynn Fowler, MAI has completed the requirements under the continuing education program of the Appraisal Institute.



Lynn Fowler, MAI
Fowler Appraisal

November 9, 2004

Arizona State Certified General Appraiser
Certificate #30141

QUALIFICATIONS OF LYNN FOWLER, MAI

PROFESSIONAL EXPERIENCE	1999-present: Principal, Fowler Appraisal 1992-1999: Appraiser, Headquarters West, Ltd. 1987-1992: Appraiser, Sanders K. Solot and Associates 1985-1987: Chief Appraiser, Pima County Department of Transportation 1982-1985: Appraiser, Pima County Assessor's Office
PROFESSIONAL DESIGNATIONS AND AFFILIATIONS	Member, Appraisal Institute American Society of Farm Managers and Rural Appraisers
STATE CERTIFICATIONS	Certified General Real Estate Appraiser in Arizona and New Mexico
APPRAISAL INSTITUTE COURSES (PARTIAL LIST)	Real Estate Appraisal Principles Basic Valuation Procedures Capitalization Theory and Techniques Case Studies in Real Estate Valuation Valuation Analysis and Report Writing Standards of Professional Practice Litigation Valuation Computer Assisted Investment Analysis
AMERICAN SOCIETY OF FARM MANAGERS AND RURAL APPRAISERS COURSES	Advanced Rural Appraisal Advanced Resource Appraisal Advanced Appraisal Review Federal Land Exchanges and Acquisitions
EDUCATION	Bachelor of Arts Degree in English Literature, Colorado State University, 1970 One year of graduate study at Arizona State University, 1971
QUALIFIED EXPERT WITNESS	U.S. Federal Court of Claims Pima County Superior Court Cochise County Superior Court
COMMISSIONS	2002 Governor's Appointee to five year term on the Arizona State Board of Equalization